

DECLARATION SUBMITTING
REAL PROPERTY TO HORIZONTAL PROPERTY REGIME

TERRACE TWENTY ONE CONDOMINIUMS

Declarant, RUDI KAEPPPELE and VERENA KAEPPPELE, husband and wife, of 1016 West 22nd, Anchorage, Alaska 99503, being the owners of the land described at Article I hereof and the improvements constructed thereon, hereby submit(s) said property to the provisions of the Horizontal Property Regimes Act (Title 34, Chapter 07, Alaska Statutes) as now existing, or as hereafter amended, and hereby establishes a "Horizontal Property Regime" with respect to said property, for the "project," to be known as TERRACE TWENTY ONE CONDOMINIUMS.

At the time of recording of this Declaration, there has been filed in the Anchorage Recording District, Third Judicial District, State of Alaska, survey maps and floor plans for the project under File No. 82-197, which survey maps and floor plans are incorporated by reference herein as if fully set forth, and are hereinafter called "survey maps and floor plans."

1. DESCRIPTION OF LAND: The land on which the building and improvements for the project are located is situate in the Anchorage Recording District, Third Judicial District, State of Alaska, and more particularly described as follows:

Tract B-2 of Rees Subdivision, according to Plat Number 72-217, filed in the Anchorage Recording District, Third Judicial District, State of Alaska.

2. DEFINITIONS:

A. "Unit." "Unit" means an individual airspace, and, as used herein, is identical to "Apartment," as defined in Title 34, Chapter 07, Alaska Statutes, except as herein otherwise defined. The boundary lines of each Unit are (except as otherwise herein defined) the interior unfinished surfaces (exclusive of paint, paper, wax, tile, enamel or other finishings) of its perimeter walls, floors, ceilings, windows and doors, as shown on the survey maps and floor plans referred to above; and a Unit includes both the portions of a building so described and the airspace so encompassed, and includes all fixtures, improvements and partitions therein contained. The foregoing notwithstanding, the following are not a part of a "Unit": main or bearing walls, roofs, foundations, pipes, ducts, flues, chutes, conduits, wires and other utility installations to the exterior perimeters of a "Unit," columns and girders to the unfinished surface thereof, all regardless of location.

B. "Condominium Unit." "Condominium Unit" means a "Unit," together with the undivided interest in the "Common Areas and Facilities" appurtenant to such Unit as set forth at Article 7B below, and the "Limited Common Areas and Facilities" appurtenant to and reserved for the use of a "Unit" to the exclusion of some or all other "Units" as more particularly described at Article 6, below.

C. "Condominium Building." "Condominium Building" means the building or buildings constructed on the land described at Article I above.

D. "Owner." "Owner" means any person or entity at any time having record title to a "Condominium Unit" within the project, expressly excepting holders of title for security purposes only.

E. "Project." "Project" means the "Property" as defined in A.S.34.07.450(13).

F. "Common Areas and Facilities." "Common Areas and Facilities" (sometimes called "Common Element" herein) means the "Common Areas and Facilities" described at Article 5 below.

G. "Limited Common Areas and Facilities." "Limited Common Areas and Facilities" means a part of the Common Area, an easement for the use of which is, or is in the future to be made, appurtenant to a particular "Unit," to the exclusion of some or all other "Units," as more particularly described at Article 6 below.

H. "Mortgage" and "Deed of Trust." "Mortgage" and "Deed of Trust," as used herein, shall be deemed to be equivalent, and the use of one such term shall, where the sense requires, be deemed to also mean the other, both meaning a real property security interest in one or more Condominium Units within the project.

I. "Mortgagor," "Mortgagee" and "Holder." "Mortgagor," "Mortgagee" and "Holder" shall be deemed the equivalent of "Trustor," "Beneficiary" and holder of the beneficial interest under a Deed of Trust, respectively. Where these Declarations require affirmative action towards or by "Holders," "First Mortgagees" etc., such terms shall be deemed to apply only to "institutional holders" of first mortgages or deeds of trust (any bank, savings and loan association or established mortgage company or other entity chartered under federal or state law; any corporation or insurance company, or federal or state agency).

J. "Declarant." Declarant shall mean and refer to the Declarant named and identified above and/or any assign or successor in interest to said Declarant which either by operation of law or through a voluntary conveyance, transfer or assignment comes to stand in the same relation to the Project as did its predecessor.

3. DESCRIPTION OF "CONDOMINIUM BUILDING": The single Condominium Building for this project contains twenty one (21) Units. It has six (6) levels or stories. The northerly section of the Building is constructed two stories above the southerly section. There are four (4) stories or levels at the most northerly section and four (4) stories or levels at the most southerly section of the Building. There are three (3) stories or levels in that section of the Building between its most northerly section and its most southerly section.

On the "floor plans" for this Project filed contemporaneously with recording of this Declaration each story is referred to as a "level" with Level 1 the lowermost level and Level 6 the uppermost.

The principal building materials of which the Condominium Building is constructed are as follows: poured concrete slab above concrete block foundation; wood frame construction; T-111 siding and asphalt hot mop roofing.

4. DESCRIPTION OF UNITS: All Units are delineated on the "survey maps and floor plans" and are more particularly described on Exhibit "A" attached, which is made a part hereof.

5. DESCRIPTION OF COMMON AREAS AND FACILITIES:

A. The land described in Article 1 above, the airspace above same, except the airspace occupied by each of the "Units," and all improvements situate upon such land, except those improvements actually within the airspace occupied by each "Unit" and those improvements which are elsewhere herein described.

B. The foundation, columns, girders, beams, supports, bearing walls, stairways, ducts, flues, corridors and roof of the "Condominium Building."

C. Except as otherwise set forth below, the installations of common utility services to the exterior of the perimeter walls, floors or ceilings of each "Unit." In the case of utility services now or hereafter metered to and for the exclusive use of an individual "Unit," the Common Area extends only to and does not include such meter; and the meters, wires, conduits or pipes from the same are "improvements" belonging exclusively to each particular Unit regardless of where located. The pipes, conduits and wires from the exterior of the perimeter walls, floors or ceilings of each "Unit" are the exclusive property and responsibility of the owner of each Unit.

D. Those parts of the "Project" designated as "Common Area" on the "floor plans and survey maps."

E. All other parts of the "Project" necessary or convenient to its existence, maintenance and safety or normally in common use.

6. DESCRIPTION OF "LIMITED COMMON AREAS AND FACILITIES":

The "Limited Common Areas and Facilities" reserved, or in the future to be reserved, for the use of one or more "Units," to the exclusion of some or all other "Units," are as shown on the "floor plans and survey maps," and are further described on Exhibit "B" attached, which is made a part hereof.

7. VALUE OF LAND AND IMPROVEMENTS:

A. The value of the unimproved land described at Article I above is \$420,000.00, and the value of the total property, with designated improvements thereon (the project), is \$2,493,500.00.

B. The value of each "Condominium Unit" and the percentage of undivided interest in the Common Areas and Facilities appertaining to such Unit for all purposes, including

voting, is as set forth on Exhibit "C" attached, which is made a part hereof.

The values set forth on Exhibit "C" are established as required by Chapter .07 Title 34 Alaska Statutes and do not necessarily reflect the amount for which a "Condominium Unit" will be sold by Declarant or others.

8. STATEMENT OF PURPOSES FOR THE CONDOMINIUM BUILDING AND CONDOMINIUM UNITS:

Each "Condominium Unit" is to be used only for the purposes of single family residence. As used herein, "single family" shall mean one or more persons occupying a "Unit" and living as a single housekeeping unit, as distinguished from a group occupying a rooming house, club, fraternity house or hotel.

9. AGENT FOR RECEIPT OF PROCESS: Pending amendment hereto, the person to receive service of process in the cases provided for under the Horizontal Property Regimes Act (Title 34, Chapter .07 Alaska Statutes) shall be RUDI KAEPPPELE, whose address for such purposes shall be 1016 West 22nd, Anchorage, Alaska 99503, such location being within the recording district in which the project is located. At the first meeting of the Board of Directors of the Association of Owners, as provided for in the Bylaws of the Association, a new registered agent shall, with such agent's consent, be appointed, and an appropriate amendment of these Declarations shall be filed in the District Recorder's Office. In the event of incorporation of the Owners' Association, the Commissioner of Commerce, State of Alaska, shall likewise be advised of the change of Registered Agent.

10. PROCEDURE FOR SUBDIVIDING OR COMBINING: There shall be no subdivision of a "Condominium Unit," and no part of a "Condominium Unit" or the legal rights comprising ownership of a "Condominium Unit" may be separated from any other part thereof during the period of condominium ownership prescribed herein without written agreement of one hundred percent (100%) of the owners of the condominium units in the project and the holders of first mortgages on one hundred percent (100%) of the condominium units in the project in order that each "Unit" and the undivided interest in the common areas appurtenant to such "Unit" and the limited common areas, an easement for the use of which is made appurtenant to a "Unit," shall always be conveyed, demised, encumbered, or otherwise affected only as to a complete "Condominium Unit."

There shall be no combination of the area or space of one unit with that of another without written agreement of one hundred percent (100%) of the owners of Condominium Units in the project and the holders of first mortgages on one hundred percent (100%) of the units in the project.

No such subdivision or combination shall be effective unless and until an amended "Declaration" has been recorded and amended floor plans have been filed specifying the subdivision or combination.

11. ADMINISTRATION: Administration of the project shall be vested in its association of unit owners, hereinafter called "the Association," consisting of all condominium unit owners in the-

project. The owner of any unit, upon acquiring title thereto, shall automatically become a member of the Association, and shall remain a member thereof until such time as membership in the Association shall cease by virtue of no longer being an "Owner." Operation of the project and maintenance, repair, replacement and restoration of the common elements, and any additions or alterations thereto, shall be by such "Association" in accordance with the provisions of the Horizontal Property Regimes Act, as in effect in the State of Alaska this Declaration, and the Bylaws of the "Association;" and the "Association" shall have such rights regardless of any present or future encroachment(s) of the common elements upon a unit. The Bylaws of the "Association" are attached hereto as Exhibit "D" and are incorporated herein by reference as if fully set forth. Each "owner" shall be deemed to acquire title to a unit subject to the provisions of the Bylaws of the Association as existing at the time of acquisition of title.

After recording this Declaration, Declarant shall cause the appointment (and acceptance of such appointments in writing) of officers and directors of the "Association." There shall be not less than one appointed director and not less than two appointed officers (a President and a Secretary/Treasurer) but there may be as many appointed directors and officers as in the Bylaws are provided for. The appointed Board of Directors and appointed officers shall have all of the rights and powers of the "Association" set forth in this Declaration and in the Bylaws and shall be responsible for administration of the project until such time as elected directors take office in accordance with this Declaration and the Bylaws of the Association of owners. Anything herein to the contrary notwithstanding, the elected Board of Directors shall take office within not more than one hundred twenty (120) days after completion of transfer of title to purchasers of "Condominium Units" representing seventy percent (70%) of the voting strength of all unit owners as determined by the percentage of undivided interest in the common areas and facilities as herein provided for; or seven hundred thirty (730) days after the first conveyance of title to a "condominium unit" to an owner, whichever occurs the earlier.

Prior to the time the first elected Board of Directors of the Association takes office, the powers and duties of the Association and the Board of Directors thereof may be performed by Declarant, Declarant's appointed Board of Directors, or other duly authorized designees of Declarant.

The Declarant (prior to the election of the first Board, in accordance with the Bylaws of the Association) and thereafter the Board of Directors of the Association may at any time hereafter cause the formation of an Alaska not-for-profit corporation for the purpose of facilitating the administration and operation of the "project," and in such event:

A. Each "Condominium Unit" owner shall be a member of such corporation, which membership shall terminate upon the sale or other disposition by the member of the "Condominium Unit," at which time the new owner shall automatically become a member;

B. The Bylaws of the Association provided for herein shall be the Bylaws of such corporation;

C. The Articles of Incorporation shall contain such terms not inconsistent with this Declaration, as the Declarant or the Board shall deem desirable;

D. The name of such corporation shall include the name of the project as is herein set forth;

E. "The Association" as used in this instrument or elsewhere in connection with this project shall be the equivalent of such corporation, it being the intent that but one entity shall have authority for administration of the "project."

12. POWERS AND DUTIES OF THE BOARD OF DIRECTORS AND THE ASSOCIATION:

A. Powers. The Board of Directors shall have power to:

1. adopt and publish rules and regulations governing the use of the common areas and facilities and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

2. suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations;

3. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

4. employ a manager, an independent contractor or such other employees as they deem necessary and prescribe their duties;

5. in the event any owner is delinquent in the payment of utility charges paid by the Association to the utility for a period in excess of thirty (30) days, sever or disconnect such utility connections to the condominium unit;

6. do all things reasonably necessary to perform its duties in behalf of the Association as imposed by law, this Declaration, the Bylaws or as reasonably implied by any of the foregoing; and

7. in any action to collect assessments due and owing whether by foreclosure of the assessment lien or otherwise, the Association may represent itself through its manager or Board of Directors. The manager or Board of Directors acting in behalf of the "Association" owners shall have the power to bid and acquire such unit at a foreclosure sale. The Association shall, at its written election, be entitled to immediate possession of the particular unit upon the initiation of foreclosure proceedings against it. The delinquent owner shall be required to pay to the Association a reasonable rent for the unit until sale or

foreclosure, together with all costs and reasonable attorney's fees. Suit to recover a money judgment for unpaid assessments and all costs including reasonable attorney's fees may be maintained without foreclosing or waiving the lien securing the payment of same.

B. Duties. The Board of Directors shall:

1. cause to be kept a complete record of all its acts and to present a statement thereof to the owners at the annual meeting of the Association or at any special meeting when such statement is requested in writing by owners whose interest in the common areas and facilities constitutes not less than twenty-five percent (25%);

2. supervise all officers, agents and employees of the Association;

3. levy, collect and enforce the collection of regular and special assessments;

4. send written notice of each assessment to every owner subject thereto;

5. issue, or to cause an appropriate officer to issue, upon request by any interested party, a certificate setting forth the assessment amounts due but unpaid for a particular "Condominium Unit." A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

6. procure and maintain policies of fire and hazard insurance included within the term "extended coverage" for the project in an amount equal to its current replacement value (exclusive of raw land value), and liability insurance in the amount of at least ONE MILLION DOLLARS (\$1,000,000.00) to protect the Association and the individual unit owners from liabilities caused by acts and omissions of all officials, agents or employees of the Owners Association and the condition of the common areas. Notwithstanding any other provisions herein, so long as the Alaska Housing Finance Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration or the Federal Veterans' Administration or their successors or assigns is a mortgagee or owner of a condominium unit in the project, the Association shall continuously maintain in effect casualty, flood and liability insurance and fidelity bonds meeting the insurance and fidelity bond requirements as established by any of the foregoing for condominium projects, regardless of other or different requirements of the Association, the owners, mortgagees or other interested parties;

7. cause the common area to be maintained;

8. cause other maintenance and repair to the project as provided for in the Declaration, or by law;

9. perform all other duties required by law, this Declaration, and the Bylaws or reasonably implied from any of the foregoing;

13. ASSESSMENTS:

A. Generally. Each owner of a condominium unit in the project and the Declarant shall pay a proportionate share of the common expense of administration of the project by the payment of annual and special assessments which the Association, acting through its Board of Directors, shall levy, and collect for the purposes and in the manner set forth in the Bylaws of the Association and this Declaration or as reasonably implied from either. "Common expense" shall mean all expenses and liabilities which may be incurred by the Association under or by reason of this Declaration and the Bylaws of the Association and in this regard the decision of the Board of Directors of the Association shall be determinative. Said common expenses shall be apportioned among and assessed against each condominium unit and owner in proportion to their respective percentage of undivided interest in the common areas and facilities. The assessment(s) against any condominium unit, with interest, costs and reasonable attorneys fees, shall be a continuing lien upon such condominium unit until paid. Each such assessment, together with interest, costs and reasonable attorneys fees, shall also be the personal obligation of the owner(s) of the condominium unit at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title or interest to a condominium unit unless expressly assumed by the same. The lien for such assessment(s) shall not, however, be affected by any sale or transfer of the condominium unit, except that a sale or transfer pursuant to a first deed of trust or mortgage foreclosure by an "institutional holder" (including deed in lieu thereof) shall extinguish such lien for assessments which became due and payable prior thereto. No such sale or transfer pursuant to foreclosure shall relieve the purchaser or transferee from liability for, nor the condominium unit so sold or transferred from a lien for, assessments becoming due after such transfer or sale. In the case of regular assessments determined annually and collected monthly, said purchaser or transferee and condominium unit shall be obligated and responsible from and after the date of sale or transfer for such assessments regardless of any attempted acceleration against the prior owner. The lien provided for herein shall nevertheless be and hereby is made subordinate to any first mortgage or deed of trust owned or held by an "institutional holder" on or against a condominium unit if the mortgage or deed of trust is recorded prior to the date on which such lien in favor of the Association arose, and assessments, liens and charges against a condominium unit in favor of the Anchorage Municipality. If a mortgagee of a recorded first mortgage or a Beneficiary of a recorded first deed of trust or other purchaser of a unit obtains possession of a unit as a result of foreclosure of either, or by deed or assignment in lieu of foreclosure, the possessor, the successors and assigns thereof are not liable for the share of the common expenses or assessments chargeable to the unit which became due prior to such possession. This unpaid share of common expenses or assessments is a common expense collectible from all of the unit owners, including the possessor, his successors and assigns, pro rata, in accordance with the percentage of undivided interest in the common areas.

B. Regular (Annual) Assessments. Each year, on or before thirty (30) days after the annual meeting of the Association, the Board of Directors of the Association shall estimate and set the annual budget of common expenses (the "annual budget") including the total amount required for the cost of wages, taxes, materials, insurance, services and supplies which will be required during the ensuing twelve month period for the rendering of all services, together with an amount determined

by reasonable business prudence and/or the holders of first mortgages on units necessary to build up and maintain the "Capital Improvement Reserve Trust Fund" described below, a reserve for contingencies, and such other expenses as the Board may deem proper, and shall on or before ten (10) days thereafter notify each condominium unit owner in writing as to the amount with reasonable itemization thereof. Said annual budget shall be assessed to each Condominium Unit and owner thereof according to the percentage of interest in the common areas and facilities appurtenant to the particular "Condominium Unit," which said assessment shall be deemed a "Regular Assessment." The Regular Assessment against each condominium unit and owner shall be due and payable one-twelfth (1/12) monthly, except as provided in "D" below. As collected, the funds shall be allocated and segregated into a Capital Improvement Reserve Trust Fund and a "Working Capital Fund." The Capital Improvement Reserve Fund shall be used for the periodic maintenance, repair and replacement of those common areas and facilities that must be replaced on a periodic basis, shall be maintained out of the regular assessments herein provided for, and shall be adequate for the purposes set forth. The "Working Capital Fund" shall be used to cover the routine operating expenses of the project.

For the purpose of establishing a "Working Capital Fund" each first purchaser of a Condominium Unit from Declarant shall at closing of the purchase pay to the "Association" an amount equal to two months full assessment charge for that unit or reimburse Declarant such amount where Declarant has initially made such payment. No interest shall be due or payable on account of such payment or other accounts or reserves of the "Association." Conveyance of a Condominium Unit shall be deemed to transfer all right, title and interest in such payments, reserves and accounts.

C. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of part or all of the common areas and facilities, including fixtures and personal property related thereto, and general landscaping, provided that any such assessment shall have the assent of owners whose aggregate interest in the common areas and facilities is not less than 75% as determined by this Declaration and as the same may be amended from time to time, at a meeting duly called for this purpose.

D. Enforcement and Collection. The Board of Directors of the Association shall have the power, authority and duty to enforce collection of all Regular and Special Assessments, together with interest, costs and reasonable attorneys' fees, by all lawful means, including foreclosure to satisfy the lien and/or commencement and conclusion of a lawsuit against the owner responsible. Delinquency in the payment of a monthly installment due on a regular or special assessment for a period of thirty (30) days shall allow the Board of Directors of the Association to require full payment of the entire such assessment and to take appropriate action to collect same.

E. Non-exemption for Assessments. No owner nor condominium unit shall be exempted from the obligation to pay annual and special assessments by waiver of the use or enjoyment

of the common areas and facilities or by abandonment of the condominium unit.

F. Absence of Notification of Annual Assessment. The failure of the Board to prepare an annual budget or to notify owners of annual assessments shall not constitute a waiver or release in any manner of the obligations to pay the assessments and charges herein provided for as and when the same shall be determined. In the absence of a new annual budget or adjusted budget or notification of Regular Assessment, each owner shall continue to pay at the then existing monthly rate established for the previous period until such time as a new rate is established.

G. Inadequacy of Annual Budget. If the "annual budget" proves inadequate for any reason, including non-payment of the regular assessments due for one or more "Condominium Units" the Board may at any time levy a further assessment against all of the "Condominium Units" and the owners thereof for the balance of the regular assessment period in an amount sufficient to compensate for such inadequacy.

H. Date of commencement of regular (annual) assessments. The regular assessments provided for herein shall commence as to all Units within the project including those owned by Declarant upon conveyance of the first Unit to an Owner. Unsold Units may temporarily be accorded a reasonably reduced assessment rate if not occupied, but in any event the full assessment rate shall apply to all Units commencing 120 days after conveyance of the first Unit to an Owner.

14. SALE AND RETENTION OF CONDOMINIUM UNITS BY DECLARANT:

Declarant contemplates sale of one hundred percent (100%) of the "Condominium Units"; however, Declarant reserves the right to retain unsold "Condominium Units" and sell, lease or rent them without the approval of other "Condominium Unit" owners.

15. WARRANTY: Declarant disclaims any intent to warrant or make representations by virtue of this Declaration, except as is set forth herein.

16. PARTITION NOT PERMITTED: Common areas and facilities shall be owned in common by the "Owners" of the "Condominium Units," and no "Owner" may bring any action for partition thereof.

17. OWNER'S RIGHT TO INGRESS AND EGRESS: Each owner shall have the right to ingress and egress over, upon and across the Common Areas necessary for access to his, hers or its "Condominium Unit," and shall have the right to the horizontal and lateral support thereof, and such rights shall be appurtenant to and pass with the title to each "Condominium Unit," without specific reference thereto in the conveyance instrument.

18. EASEMENTS DEEMED CREATED: Each "Condominium Unit" owner has a non-exclusive easement for and may use the "Common Areas and Facilities" in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful right of the other unit Owners. All conveyances of condominium units hereafter made, whether by the Declarant, or otherwise, shall be construed to grant and reserve such reciprocal easements

as shall give effect to the provisions hereof and of the Bylaws of the Association, even though no specific reference to such easements appears in any such conveyance, including, without limitation, easements for the use of "Limited Common Areas" that are described herein as appurtenant to a particular unit or units to the exclusion of other units in the "project."

In addition to the foregoing, the "Association," its agents, employees and contractors, shall have the right to enter each unit in case of any emergency originating in or threatening such unit, or another unit in the project, and to effect maintenance and repairs which an owner is required to make but fails to make, and to maintain all improvements on the project, all regardless of any present or future encroachment(s) of the common elements upon a unit.

In the event that any portion of the "common elements" encroaches upon a unit, or a unit encroaches upon the common elements, or any unit encroaches upon any other unit as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the "project," a valid easement for the encroachment and the maintenance of same shall exist so long as the encroachment exists, even though no specific reference to such easement appears in a conveyance instrument.

Declarant shall have an easement over and across the "common area" for the purpose of completing improvements provided for in this Declaration and for the purpose of doing work required by this Declaration, contracts of sale with condominium unit purchasers, or undertaken in full or partial satisfaction of Declarant's obligations with respect to "Condominium Units" owned by Declarant.

19. ASSESSMENTS AND TAXATION: Each "Condominium Unit" shall be assessed and taxed separately for all taxes, assessments and other charges of the State of Alaska, or any political subdivision, or any special improvement district, or any other tax assessing authority, including, without limitation, special ad valorem levies and special assessments. No forfeiture or sale of any condominium unit for delinquent taxes, assessments, or other governmental charges shall divest or in any way affect the title to any other condominium unit.

20. LABOR AND MATERIAL LIENS: No labor performed or materials furnished for use in connection with a "Condominium Unit" with the consent of, or at the request of an owner, or the agent, or subcontractor thereof, shall create any rights against any other condominium unit or against any interest in the "common area," except as to the undivided interest therein appurtenant to the condominium unit of the owner for whom such labor shall have been performed, or such materials shall have been furnished. Each owner shall indemnify and hold harmless the other owners and the "Association" from and against liability or loss arising from the claim of any lien against the project, or any part thereof, for labor performed, or for materials furnished on or for such owner's condominium unit.

21. RESERVATION TO GRANT EASEMENTS: Declarant reserves the right to grant, convey, transfer, cancel, relocate and otherwise deal with any and all utility easements now or hereafter located on or about the project; provided, however, that the effectiveness of any such action shall require the written consent of the holders of first mortgages on one hundred percent (100%) of the condominium units; and provided further no such

action shall be taken that would substantially affect the appearance or structure of a unit; and provided further that as and when one hundred percent (100%) units have been sold the rights reserved under this Article shall be exercisable only by the "Association."

22. AMENDMENT:

This Declaration may be amended by written consent of condominium unit owners representing sixty-five percent (65%) or more of the undivided interest in the common areas and facilities under Article 7-B above, and the written approval of eligible holders of first mortgages on condominium units to which at least fifty-one percent (51%) of the undivided interest in the common areas and facilities under Article 7-B above appertain, excepting however, the following:

A. The written consent of all condominium unit owners shall be required for any amendment effecting a change in (1) of the boundaries of any unit, (2) the undivided interest in the common areas and facilities appertaining to any unit, (3) the liability for common expenses appertaining to a unit, (4) the voting strength appertaining to a particular condominium unit, or (5) the fundamental purposes to which any unit or the common areas and facilities are restricted.

B. The written approval of owners of condominium units to which at least eighty percent (80%) of the undivided interest in the common areas and facilities appertain shall be required to terminate the condominium regime.

C. An amendment providing for a change in the registered agent under Article 9 may be accomplished by resolution of the Board of Directors of the Association at a meeting duly called and convened for such purposes.

D. No substantial amendment shall be made to this Declaration between the time of execution and delivery of an agreement of purchase and sale to a purchaser and the time of closing without consent of the purchaser or providing such purchaser the opportunity to rescind such agreement and have returned any deposit such purchaser has made.

E. Not less than sixty percent (60%) of the number of condominium unit owners shall affirmatively vote for any amendment.

F. The prior written approval of mortgagees is required for certain amendments in accordance with Article 23 below.

23. PROTECTION OF MORTGAGEES AND HOLDERS:

A. Anything in this Declaration or the Bylaws of the "Association" provided for herein to the contrary notwithstanding, prior written approval of the holders of first mortgages covering all or any portion of the "project" shall be a condition precedent to the effectiveness of any of the following:

1. Removal of all or any portion of the "project" from the provisions of the Horizontal Property Regime Act pursuant to Alaska Statute 34.07.330, or as said statute may be amended from time to time.

2. An act or omission seeking to abandon or terminate the condominium regime or to abandon, partition, subdivide, encumber, sell or transfer any portion of the common areas and facilities, or the partition or subdivision of a unit. This paragraph shall not be deemed to apply to the sale, transfer or encumbrance of a "condominium unit" as herein defined.

3. A change in the percentage interests or obligations for any "Condominium Unit" for any purpose whatsoever including without limitation such changes due to periodic reappraisal pursuant to Alaska Statute 34.07.180(b).

4. Any material amendment to this Declaration or to the Bylaws of the Owners Association. So long as the Alaska Housing Finance Corporation, or the Federal National Mortgage Association or Government National Mortgage Association or the Federal Home Loan Mortgage Corporation or the Federal Housing Administration or the Federal Veterans Administration or their successors or assigns is a mortgagee or owner of a condominium unit in the project the term "material amendment" shall include but shall not be limited to any amendment to the Declaration or the Bylaws of the Owners Association that would result in a failure to comply with the written requirements of any of the foregoing for condominium projects unless waived in writing by the particular entity who's written requirements are affected.

B. A holder or insurer of a first mortgage (or designee), upon written request to the Association (such request to state the name and address of such holder or insurer and the unit number), and the filing of a true copy of the mortgage with the Association, will be entitled to timely written notice of:

1. Any proposed amendment of the condominium instruments effecting a change in (a) the boundaries of any unit, (b) the undivided interest in the common areas and facilities appertaining to any unit or the liability for common expenses appertaining thereof, or (c) the purposes to which any unit or the common areas and facilities are restricted.

2. Any proposed termination of the condominium regime.

3. Any condemnation or eminent domain proceeding affecting the condominium regime or any portion thereof.

4. Any default under the Declaration or Bylaws which gives right to a cause of action against the owner of a condominium unit subject to the mortgage of such holder or insurer, where the default has not been cured within thirty (30) days.

5. Annual and special meetings of the Association.

6. Damage to a condominium unit covered by a first mortgage that exceeds \$1,000.00 and any loss to or taking of the common areas and facilities that exceeds \$10,000.00.

C. The holders or insurers of first mortgages (or designee) shall have the right to examine the books and records of the owners Association during normal business hours, and to require the preparation and submission of annual reports and other financial data. First mortgagees may require audited financial statements.

D. Anything else in this Declaration or the Bylaws notwithstanding hazard insurance proceeds from losses to the common areas and further shall not be used for other than the repair, replacement or reconstruction of the same except as provided by statute in case of substantial loss to individual units and/or common elements. No provision contained in this Declaration or in the Bylaws shall be deemed to give a condominium unit owner or any other party, priority over any rights of first mortgagees of condominium units pursuant to their mortgages in the case of a distribution to condominium unit owners of insurance proceeds or condemnation awards for losses to or a taking of condominium units and/or common elements.

E. Any First Mortgagee who obtains title to a condominium unit pursuant to the remedies provided in the mortgage, (including deed in lieu of foreclosure) will be exempt from any right of first refusal.

24. CHANGES OR MODIFICATIONS BY THE DECLARANT:

Before the election of the first Board of Directors of the Association as provided for herein or the Bylaws of the Association, the Declarant shall have the right to change or modify any or all of the terms, restrictions and covenants herein contained, or contained in the Bylaws of the "Association," which changes or modifications shall be effective upon the recording thereof; provided, that no change or modification of this Declaration shall be made without the prior written approval of all holders of first mortgages on any part of the project; and provided further no substantial change shall be made between the time of execution and delivery of an agreement of purchase and sale to a purchaser and closing without consent of the purchaser or providing such purchaser the written opportunity to rescind the purchase agreement and have returned any deposit such purchaser has made.

25. USE RESTRICTION:

A. Nuisances. No noxious or offensive activities shall be carried on upon the project. The Association acting through the Board of Directors shall determine in its sole discretion but in a reasonable and lawful manner what constitutes a noxious or offensive activity. No horns, whistles, bells or other sound devices, except security devices used exclusive to protect the security of a unit and its contents, shall be placed or used in any unit. No loud noises shall be permitted on the project, and the Board of Directors of the Association shall have the right to determine if any noise or activity producing noise constitutes a nuisance. No owner shall permit or cause anything to be done or kept upon the project which will increase the rate of insurance thereon, or which will obstruct or interfere with the rights of other owners. Each owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to occupancy and use of residences.

B. No Signs. No signs, posters, displays, or other advertising devices of any character shall be erected or maintained on, or shown or displayed from, a unit without prior written approval having been obtained from the Board of Directors of the Association; provided, however, that the restrictions of this section shall not apply to any sign or notice of customary and reasonable dimension which states that a condominium unit is for rent or sale. The Board of Directors may summarily cause all

unauthorized signs to be removed and destroyed. This section shall not apply to any signs used by Declarant or its agents in connection with the original sale of "units".

C. Outside Installations. No basketball standards or fixed sports apparatus shall be attached to any unit without the prior written approval of the Board of Directors.

D. Pet Regulations. No animals, livestock or poultry shall be kept on the project except that domestic fish and birds in appropriate inside aquariums or cages and dogs and cats may be kept as household pets within any unit provided they are not kept, bred or raised therein for commercial purposes, or in unreasonable quantities. As used in this Declaration, "unreasonable quantities" shall be deemed to limit the number of dogs, cats and/or birds to two (2). The Association shall have the right to prohibit maintenance of any animal or bird which constitutes in the opinion of the Directors of the Association a nuisance to any owner. Dogs and cats belonging to "owners", or occupants of units, and their invitees shall be kept within a unit, or on an enclosed deck, or on a leash being held by a person capable of controlling the animal. Any dog or cat not so kept may be removed to a pound under the jurisdiction of the Anchorage Municipality, or to a comparable animal shelter by any owner or occupant of a unit, by the Declarant, by any member of the Board of Directors of the Association, by persons designated by the Board of Directors to do so and by agents and employees of property management firms engaged to manage the project.

E. Business or Commercial Activity. No business or commercial activity shall be maintained or conducted from or about any unit or portion of the project except that Declarant shall be permitted to maintain upon such portion of the project as Declarant may choose such facilities as Declarant shall determine to be reasonably required, convenient or incidental to the sale of condominium units and Declarant, and individuals and entities engaged by the Association for purposes of managing the project, may maintain management offices and facilities within a "Unit". Professional and administrative occupations may be carried on within a unit so long as there exists no external evidence thereof.

F. Temporary Structures. No temporary structures, boat, truck, trailer, camper or recreational vehicle of any kind shall be used as a living area while located on the project.

G. Rubbish Removal. Trash, garbage, or other waste shall be disposed of only by depositing same, wrapped in a secure package, into designated trash receptacles. No owner shall permit or cause any trash or refuse to be disposed of on any portion of the project subject to this Declaration. No portion of the project shall be used for the storage of building materials, refuse or any other materials other than in connection with approved construction. There shall be no exterior fires whatsoever, except barbeque fires contained within receptacles therefor.

H. Renting - Leasing. With the exception of an "institutional lender" in possession of a condominium unit following a default on a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no unit owner shall rent or lease a unit for a period of less than thirty (30) days. No unit owner may lease or rent less than the entire condominium unit. Any lease or rental agreement shall provide

that the terms thereof shall be subject in all respects to the provisions of the Declaration and the Bylaws, and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease or rental agreement. All leases and rental agreements shall be in writing.

I. Prohibited Work. No unit owner may do any work which will jeopardize the soundness or safety of the property, reduce its value, or impair any easement or hereditament, without the unanimous written consent of all owners being first obtained, as well as the written consent of one hundred percent (100%) of the holders of first mortgages covering all or a portion of the project. Without in any way limiting the foregoing, the puncture of a wall or floor which forms all or part of a wall separating units is expressly prohibited.

J. Modifications or Additions to Common Areas. No structures, additions, buildings, fences or any other items shall be placed upon the spaces designated as common areas, including those exterior common areas designated as limited common areas, without the prior written consent of the Board of Directors of the Association, and any such consent shall be revocable at any time, with or without cause.

K. House Rules. The Association may from time to time adopt, modify, and revoke in whole or in part by a vote of the members present in person or represented by proxy whose aggregate interest in the common elements constitutes seventy-five percent (75%) at any meeting duly called for the purpose, such reasonable rules and regulations, to be called House Rules, governing the conduct of persons on said project as it may deem necessary. Such House Rules upon adoption, and every amendment, modification and revocation thereof, shall be delivered promptly to each owner and shall be binding upon all members of the Association and occupants of the Condominium Building(s).

26. DAMAGE OR DESTRUCTION OF CONDOMINIUM BUILDING(S):

In the event of damage to or destruction of the Condominium Building(s), the determination as to whether to rebuild, repair, or reconstruct the same in accordance with the original plan shall be by majority vote of all "Condominium Unit" owners in accordance with the Horizontal Property Regime Act in effect in the State of Alaska. Except for such a determination to rebuild, repair or reconstruct in accordance with the original plan, all other determinations shall be effected only pursuant to an amended Declaration duly executed by owners representing not less than one hundred percent (100%) of the undivided interest in the common areas and facilities and the written approval of all holders of first mortgages as herein elsewhere provided for and as in the Bylaws may be provided for.

In the event of damage to or destruction of the common areas and facilities, all available insurance proceeds, including proceeds on any policy(s) taken out by unit owners, shall be payable to such bank or trust company authorized to do business in the State of Alaska as the Board shall designate as Trustee for all unit owners and mortgagees as their interest may appear in the respective "condominium units" and shall be used promptly by the Association to the extent necessary for rebuilding, repairing or reconstructing such improvements in accordance with the original plans and specifications, or as such original plans and specifications must be modified to comply with then applicable laws and regulations.

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In the event of any deficiency between said insurance proceeds and the cost of the work, each Owner shall pay his proportionate share of said deficiency as common expenses in accordance with Article 13, above.

Subject to the foregoing, the Board shall have the authority, as agent of all Owners, to enter into a contract or contracts to accomplish the work. The foregoing rebuilding, repair and reconstruction shall be on the vote or consent or acquiescence of unit owners representing over fifty percent (50%) of the undivided interest in the common areas and facilities. Unless owners representing over fifty percent (50%) of the undivided interest in the common areas and facilities have filed with the Board and recorded a written notice signed by such owners stating that they do not desire the rebuilding, repair or reconstruction prior to the time fifty-five (55) days have passed from the occurrence of such events, such majority vote shall be deemed to have been made.

27. CONDEMNATION: In case at any time or times the common areas or facilities of the project or any part thereof shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for or on account thereof, shall be payable to such bank or trust company authorized to do business in the State of Alaska as the Board shall designate as Trustee for all unit owners and all mortgagees according to the loss or damage to the respective units and appurtenant common interests. In the event such compensation is solely for land taken or condemned, the proceeds shall be paid to the mortgagees and unit owners as their respective interests may appear in any mortgage instruments duly recorded, and in accordance with the percentage of undivided interest in the common areas set forth in this Declaration and as it may be from time to time amended. In the event such compensation is for land and improvements taken or condemned, or solely for improvements taken or condemned, the determination as to whether to rebuild, repair or reconstruct shall be made in accordance with Article 26 above.

Restoration of the project with less than all of the units after condemnation may be undertaken by the Association only pursuant to an amended Declaration, duly executed by the owners of one hundred percent (100%) of the units and consented to in writing by all holders of first mortgages affecting the units.

Anything in the foregoing to the contrary notwithstanding, if any unit or portion thereof or the common elements or any portion thereof, is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by a condemning authority, then the holder of any first mortgage on a unit will be entitled to timely written notice of any such proceeding or proposed acquisition and no provision of any document establishing the project will entitle the owner of a unit or other party to priority over such holder with respect to the distribution of the proceeds of any award or settlement.

28. AVAILABILITY OF CONDOMINIUM DOCUMENTS:

During normal business hours or under other reasonable circumstances, the "Association" shall have available for inspection by owners, lenders and prospective purchasers current copies of the "Declaration," "Bylaws," "Articles of Incorporation" of the Association (if any), and other rules

governing operation of this condominium project. In addition, owners and lenders shall be entitled to inspect the books, records and financial statements of the Association. A reasonable charge may be made for the labor, materials and other expense required to supply copies for removal from the office of the "Association."

The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Condominium Unit have been paid. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid.

29. MAINTENANCE AND REPAIR:

A. Each owner must perform promptly all maintenance and repair work within such owner's unit, which if omitted would affect the project in its entirety or in a part belonging to the other owners, and is expressly responsible for the damages and liabilities that failure to do so may engender.

B. The repair of internal installations of a unit such as light, power, sewage, telephones, sanitary installations, doors and windows, and all other accessories belonging to the unit shall be at the owner's expense.

C. An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common areas and facilities damaged through the fault thereof.

30. PERIODIC REAPPRAISAL: The cost of any periodic reappraisals of the project as a whole shall be borne by the Owners Association provided for herein from funds collected from the unit owners in accordance with Article 13.

31. PROFESSIONAL MANAGEMENT: Any agreement for professional management of the "Project" and any other contract providing for services by the Declarant or others shall provide for a termination by either party without cause or payment of a termination fee on thirty (30) days or less written notice in the case of termination by the Association and ninety (90) days written notice where given by the supplier of the particular services. The term of any such agreement shall not exceed one (1) year although it may be renewable for successive one (1) year terms.

32. EVIDENCE OF OWNERSHIP AND REGISTRATION OF MAILING ADDRESS:

A. Proof of Ownership. Except for those owners who initially purchase a unit from Declarant, any person or entity on becoming an owner shall furnish to the secretary of the "Association" and any Managing Agent a machine or certified copy of the recorded instrument vesting that person or entity with an interest or ownership in the condominium unit, which copy shall remain in the files of the Association.

B. Registration of Mailing Address: The owners or several owners of an individual unit shall have one and the same registered mailing address to be used by the Association for mailing of statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons, firm, corporation,

partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address shall be furnished by such owners to the secretary of the Association and any Managing Agent within fifteen (15) days after transfer of title, or after a change of address, and such registration shall be in written form and signed by all of the owners of the condominium unit or by such persons as are authorized by law to represent the interest of (all of) the owners thereof.

33. EXPANSION OF CONDOMINIUM PROJECT: This condominium project will not be added to or expanded without the express written consent of one hundred percent (100%) of the holders of first mortgages on the condominium units herein provided for, and the written consent of one hundred percent (100%) of the owners of condominium units.

34. SEVERABILITY: If any provision of this Declaration or the Bylaws herein referred to or the application thereof to any person, entity or circumstance is held invalid by Judgment or Court Order, the remaining provisions and their application to other persons, entities or circumstances shall not be affected thereby, and shall remain in full force and effect.

35. ADDITION OF SKYLIGHTS AND DOORWAYS. Anything elsewhere herein to the contrary notwithstanding, the "Owners" of Units 5, 6, 7, 8, 9, 11, 13, 14, 15, 16, 17, 18, 19, 20 and 21 shall have at all times the right, power, easement and authority to cause one or more skylights to be installed in the ceilings of their respective Units, and the "Owners" of Units 1, 2, 3 and 4 shall have at all times the right, power, easement and authority to cause doors to be installed in the south wall of the lower level of their respective "Units" to provide access to the Land described at Article 1, all without further consent, authorization or approval of the "Association" or any party having any right, title or interest in the "Project," subject to the following conditions:

A. All construction and installation shall be accomplished in a good and workmanshiplike manner at the sole expense of the particular "Owner."

B. The "Owner" of each Unit in which a skylight or door is installed in accordance with this Article, shall be solely responsible for the installation, upkeep and maintenance thereof, and shall save, protect, hold harmless and indemnify the "Association" and the "Owners" of all other Units of and from any loss or damage to the Condominium Building resulting from such construction, or failure to maintain the skylight or door.

C. The skylights and doors shall only be installed in accordance with applicable building codes.

D. Prior to installation of a skylight or door, the plans and specifications therefor must be submitted to and approved in writing by Declarant during the first 730 days next following conveyance of a Unit in the "Project" to an "Owner," and thereafter such plans and specifications must be submitted to the board of directors of the "Association" for approval in writing. The plans and specifications shall be in such form and content, and prepared by individuals having such qualifications as Declarant shall specify during the first 730 days next following conveyance of a "Unit" to an "Owner," and as the Board of Directors of the Association shall specify thereafter.

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E. No labor performed or materials furnished for use in connection with installation or maintenance of a skylight or door shall create any rights against any other "Condominium Unit" or against any interest in the "Common Area" except as to the undivided interest therein appurtenant to the particular "Condominium Unit."

F. All such doors shall be harmonious in design, appearance and quality with the Condominium Building as originally constructed.

36. BINDING EFFECT OF DECLARATIONS, BYLAWS, AND ARTICLES OF INCORPORATION OF OWNERS ASSOCIATION:

All provisions of this Declaration, the Bylaws of the Owners Association provided for herein, and the Articles of Incorporation of said Owners Association provided for herein shall bind and be effective upon the owners of all condominium units in this project, their tenants, employees, contractors, and any and all other persons that may use or be on or about the project, or any part of it, in any manner.

The failure of any "owner" to comply with the provisions of this Declaration, the Bylaws of the Owners Association provided for herein, the Articles of Incorporation of said Owners Association provided for herein, or applicable law or regulations, shall constitute a breach of contract, and shall give rise to a cause of action in the "Association" and any aggrieved unit owner for the recovery of damages or injunctive relief or both. Any such action may be brought by the Board of Directors of the Association, a duly authorized agent thereof, or an aggrieved owner.

DATED at Anchorage, Alaska, this 26th day of July, 1982

Rudi Kaeppele
RUDI KAEPELE

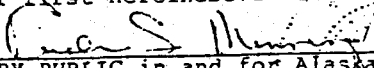
Verena Kaeppele
VERENA KAEPELE

STATE OF ALASKA)
: SS.
THIRD JUDICIAL DISTRICT)

July THIS IS TO CERTIFY that on the 26th day of July, 1982, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared RUDI KAEPELE, to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that the same was signed freely and voluntarily for the uses and purposes therein mentioned.

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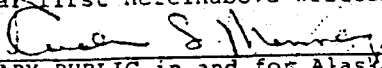
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first hereinabove written.


NOTARY PUBLIC in and for Alaska
My Commission Expires: 9-1-84

STATE OF ALASKA)
: ss.
THIRD JUDICIAL DISTRICT)

July THIS IS TO CERTIFY that on the 26^d day of July, 1982, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared VERENA KAEPPPELE, to me known and known to me to be the individual described in and who executed the foregoing instrument, and acknowledged to me that the same was signed freely and voluntarily for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first hereinabove written.


NOTARY PUBLIC in and for Alaska
My Commission Expires: 9-1-84